

# The Corporation of the City of Windsor

## Internal Audit Summary Report

May 1, 2020 to October 31, 2020

Prepared as of November 20, 2020

### **Limitations and responsibilities**

This report was developed in accordance with our engagement letter addendum dated January 24, 2020 and is subject to the terms and conditions included therein.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available at the time we prepared the report. Accordingly, changes in circumstances after the date of this Report could affect the findings outlined herein. We are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. This information has been prepared solely for the use and benefit of and pursuant to a client relationship exclusively with the Corporation of the City of Windsor. PwC disclaims any responsibility to others based on its use and accordingly this information may not be relied upon by anyone other than the Corporation of the City of Windsor.







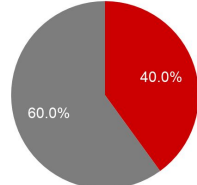
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# 1. Performance and status summary

Planned projects	Percent complete	Report issued
Risk Assessment and Annual Plan Development 2021-22		0% 
IA Attendance at City Meetings		
a) Periodic Status & Reporting	 50%	 
Management Action Plan Validation (Annual)	 5%	
Hotline Administration	 50%	NA
Auditor General Complaint Handling	 50%	NA
Covid-19 Health & Safety - Reopening of Workplace and Facilities	 60%	
Fraud risk mitigation review	 100%	
Liquidity management	 20%	
Year In Review		0% 
Unallocated	 5%	

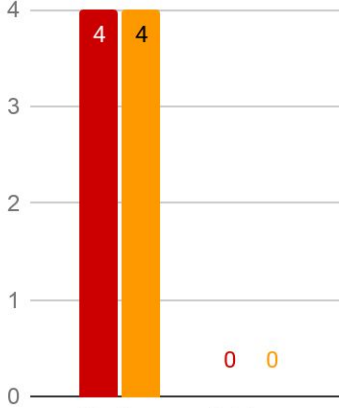
### IA plan completion



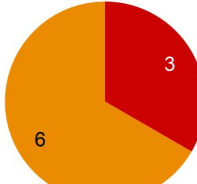
● Progress in period ● Pending completion

### Observation count

■ In Period ■ YTD



### Deliverables progress






● Issued in period ● To be completed

### Items under investigation

Source	In progress	Reported in period
CCEP	3	0
AG Route	0	0

### SME information

- Fraud Investigation
- Health & Safety
- Public Finance

Legend			
	Issued in current period	Issued in prior period	In progress/ Not yet issued

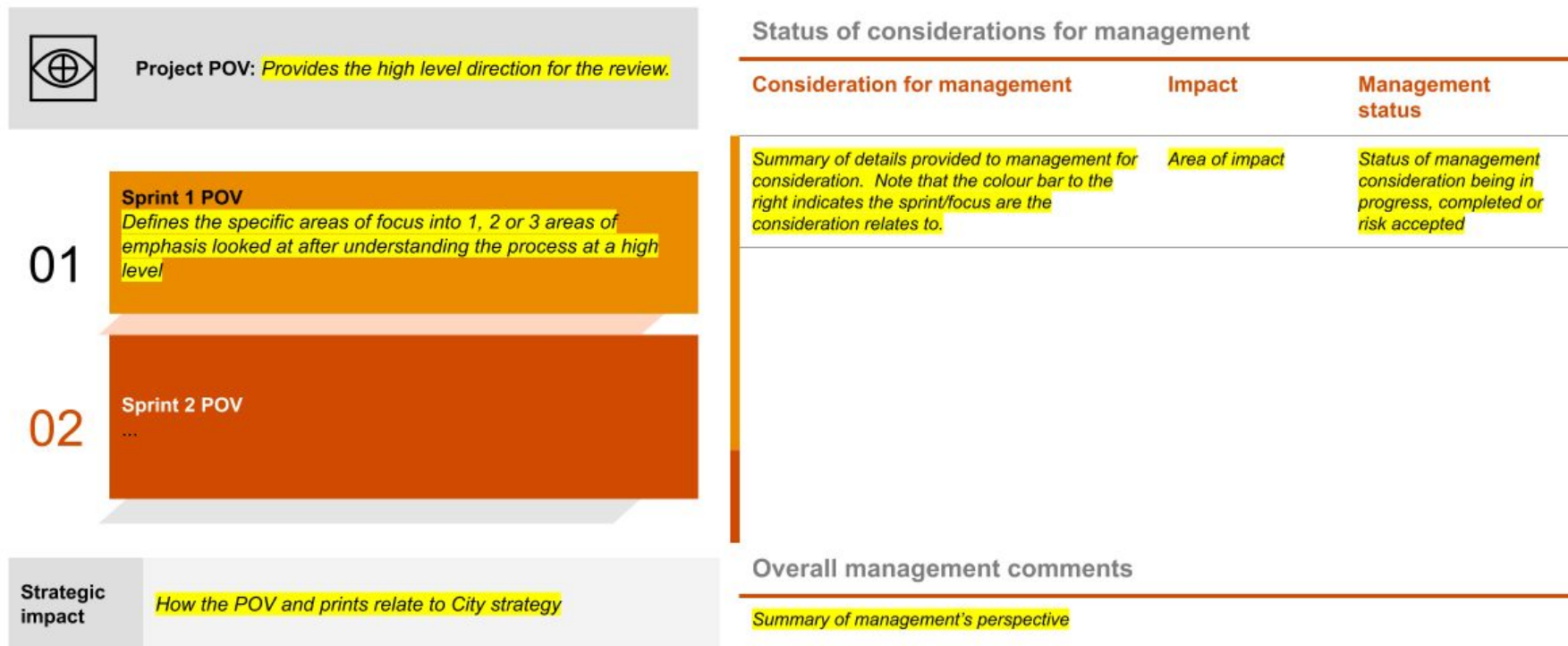
# 2. Reports issued in period

## 2.1 Overview on how to read Focused/Agile Style Point of View report

The reports, Point of Views (POV), leverage an Agile framework for execution and reporting which involves realtime consultation with management to get in front of the changing risk landscape. These POVs summarize the key areas where we provided input for management considerations. As documented in the Risk Assessment & IA plan for 2020-21, we have not presented specific internal audit findings nor conclusions in our standard/traditional reporting format. The work we performed was more real-time advice to management as they implement and execute processes.

Below we have provided the POV template over the following 2 pages with an explanation as to what each section summarizes (see *italicized yellow font*).

### Point of View - Reading Overview



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# Internal Audit Project Canvas - Reading Overview

<p><b>Risks / concerns</b></p> <ul style="list-style-type: none"> <li>• Risk areas planned to be covered by the Sprints</li> </ul>	<p><b>Project drivers</b></p> <ul style="list-style-type: none"> <li>• Outline the project drivers/basis/shy do?</li> </ul>	<p><b>Value proposition</b></p> <ul style="list-style-type: none"> <li>• What is the expected value/reason for doing this IA project</li> </ul>
<p><b>Key questions considered</b></p> <ul style="list-style-type: none"> <li>• Key questions to consider when executing the sprints</li> </ul>	<p><b>Key stakeholders</b></p> <ul style="list-style-type: none"> <li>• Personnel expected to be engaged in sprints</li> </ul> <p><b>Project outcomes</b></p> <ul style="list-style-type: none"> <li>• Outlines the expected project outcomes</li> <li>• What is hoped to be gained by doing the project</li> </ul>	

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## 2.2 Fraud Risk Mitigation Review (Sprint 1 & 2)

# Point of View - Sprint 1 & 2



**Project POV:** The changing landscape may require modifications in business processes and create opportunities for unwanted behaviours giving rise to fraud risks.

01

### Sprint 1 POV

Management performed necessary fraud investigation steps and isolated the root cause to inform enhancements to cheque reconciliation controls.

02

### Sprint 2 POV

Management previously implemented enhanced vendor change management workflows. However, due to the volume of rush vendor change requests there is a possible higher risk of fictitious vendors if the controls are not operating effectively.

**Strategic impact**

Fraud risks connect with the City's commitment to a fair and transparent municipal government.

### Status of considerations for management

Consideration for management	Impact	Management status
Conduct independent spot checks of positive pay exceptions to ensure the preventative controls operate as intended given the nature of access privileges and approval evidence	Fraud detection	Completed
Explore automating repeatable task elements (RPA - robotic process automation) related to AP query and payment release activities to improve efficiency	Fraud prevention	Future Consideration
Enhance fraud investigation minimum guidelines and summary adherence therewith for individual investigation efforts	Fraud response	Completed – future investigations to use PwC guidelines
Ensure alignment of unique record identifier for vendor change records and implement a detective/monitoring control over the process	Fraud prevention	In progress – will develop process to include where possible

### Overall management comments

*Management is confident with internal controls regarding fraud and vendor change management. PwC considerations for further enhancements will be considered and are in progress, as stated above.*

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# Internal Audit Project Canvas - Sprint 1 & 2

<p><b>Risks / concerns</b></p> <ul style="list-style-type: none"> <li>• The changing landscape/environment may create opportunities for unwanted behaviours giving rise to fraud risks.</li> <li>• In a COVID benchmarking report published by the Association of Certified Fraud Examiners, participants in a survey reported an increase in fraud across all categories. Including fraud by vendors and payment fraud.</li> <li>• Strain may affect internal controls while staff work from home or remotely.</li> <li>• Management identified a vendor cheque which was fraudulently cashed. The City notified Windsor Police at the time when the fraud was discovered, and also received full reimbursement from the financial institution.</li> <li>• Due to the volume of rush vendor change requests a possible higher risk of fictitious vendors exists if the controls are not operating effectively.</li> </ul>	<p><b>Project drivers</b></p> <ul style="list-style-type: none"> <li>• Internal audit worked with management to provide input into Covid-19 initiated fraud risk identification and mitigation plans in place.</li> <li>• Internal auditors should consider the probability of significant errors, fraud, noncompliance, and other exposures.</li> <li>• A framework for managing / mitigating fraud risks is available as a basis for the input internal audit provides to management.</li> <li>• Finance management obtains feedback surrounding the design and implementation of new internal controls (e.g. positive pay).</li> </ul>	<p><b>Value proposition</b></p> <ul style="list-style-type: none"> <li>• Provided input to management on components or domains of a "Fraud Risk Management Framework" namely, a) Risk Assessment and Response 2) Investigation and Remediation.</li> <li>• Used an Agile internal audit to provide answers against targeted risk based questions and conducted work across 1-2 sprints offering flexibility and real-time recommendations or insights.</li> </ul> <p><b>Key stakeholders</b></p> <ul style="list-style-type: none"> <li>• CFO, Treasurer and Deputy Treasurer</li> <li>• Deputy Treasurer, Taxation</li> <li>• Deputy Treasurer, Financial Accounting</li> <li>• Manager of Financial Accounting</li> <li>• Manager of Accounting Services</li> <li>• Manager of Purchasing</li> </ul>
<p><b>Key questions considered</b></p> <ul style="list-style-type: none"> <li>• How does management identify or detect cheque fraud attempts and are investigations carried out (as appropriate)? (Fraud Detection)</li> <li>• Which other/new AP monitoring controls are in place to detect fraudulent cheques and have there been internal control issues?</li> <li>• Were the new positive pay controls over cheque disbursements designed and implemented? Are controls documented and communicated? For example, were:             <ul style="list-style-type: none"> <li>- Positive pay interface of cheque file to Bank is secured, complete and accurate?</li> <li>- Approval of exceptions are documented and required controls are communicated?</li> </ul> </li> <li>• How does management process additions/changes (specifically rush vendor requests) to the peoplesoft vendor database?</li> <li>• Which other/new bylaw were passed for purchases related to COVID supplies, and the committee set it in place to authorise such transactions?</li> </ul>		<p><b>Project outcomes</b></p> <ul style="list-style-type: none"> <li>• Memos with Internal Audit's Points of View (POV) to Deputy Treasurer, and Purchasing Manager.</li> <li>• Identify considerations for improvement to management</li> <li>• Escalate significant process areas resulting in impairment within 24 hours (none noted)</li> </ul>

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## 2.3 Covid-19 Health & Safety - Reopening of Workplace and Facilities (Sprint 1)

### Point of View



**Project POV:** Health and Safety have implemented a robust, agile and responsive process to review COVID-19 specific risks and actions/measures needed to ensure the safe reopening of work sites and facilities for the return of employees to work and the resumption of services to the public.

01

#### Sprint 1 POV

The COVID-19 Work Site Review process was designed and implemented by Health and Safety to review, identify and track the measures and actions needed for City facilities and work sites to maintain the safety of employees while at work, as well as when they return to work to resume services to the public.

#### Strategic Impact

Health & Safety related to management's COVID-19 Work Site Review has an impact on the overall reputation of the City of Windsor. If improperly conducted negative reputational impacts are likely.

#### Status of considerations

Consideration	Impact	Status
Clearly document categorization of opening protocols between required/desired and risk accepted alternatives for future plans	Health & Safety	In-Progress

#### Overall Management Comments

Administration will implement the recommendations.

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# Internal Audit Project Canvas

<p><b>Risks / Concerns</b></p> <p>The work performed by Internal Audit (IA) was to assess the design and implementation of Health and Safety controls as it relates to the City's re-opening of the workplace and resumption of services to the public, including COVID-19 risks such as zone and flow plans; workplace space adjustments; personal protective equipment needs.</p>	<p><b>Project Drivers</b></p> <p>As part of the City of Windsor COVID-19 internal audit plan, Internal Audit was asked to perform a review of management's current, or planned, response to adaptation of key policy/procedures in a wide variety of areas impacted by Covid-19.</p> <p>Through a detailed risk assessment process followed by Internal Audit, a view of a the most critical COVID-19 risks, impacts and considerations were obtained, the project objectives were defined and the review was conducted accordingly. The review considered whether key risks relating to the reopening of sites/facilities to the workforce and resumption of services to the public were being adequately assessed and mitigated.</p>	<p><b>Value Proposition</b></p> <p>Delivery of an advisory internal audit would provide timely insights to assist management to further enhance controls and measures implemented to demonstrate the safe reopening of City sites and facilities.</p>
<p><b>Project Objectives</b></p> <p>To assess the design and implementation of controls relating to the COVID-19 Health and Safety risk assessment of City sites and facilities and actions/measures needed to safely reopen facilities for the return of the workforce and resumption of services to the public.</p>	<p><b>Scope period/Exclusion/Limitation</b></p> <p>The scope included Health and Safety processes which were introduced specifically to respond to COVID-19 risks which arose since the start of the of the pandemic.</p>	<p><b>Key Stakeholders</b></p> <ul style="list-style-type: none"> <li>• Executive Director HR</li> <li>• Manager of Occupational Health, Safety and Wellness</li> <li>• City Solicitor</li> <li>• City Clerk</li> </ul> <p><b>Project Outcomes</b></p> <p>We identified one observation (as noted on page 1) and provided management with recommendations for their consideration.</p>

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# Appendices

# Appendix A - Summary of use of unallocated effort

Unallocated Effort			
Activity	Requested by	2020-21 effort hours	Result
Initial analysis of Community Housing Corp Personnel based complaint and authority	Management	11	In process
Total		11	

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# Appendix B - Complaints & Investigations

Complaints & Investigations								
Activity in the period	Checked within required time frame	# of Contacts Received	# of hang ups	# of handoffs to management	# of items under analysis	# of items under investigation	# of items investigated	# of items related to Pandemic
Concerned Citizen and Employee Hotline Channel	Yes	46	2	42	0	3	46	3
Auditor General Channel	-	-	-	-	-	-	-	-

Item under analysis/investigation		
Description of item	Activities to date	Results
Windsor Library Concerns Feb 2020	Not enough information received. We tried to follow up with the individual 3 times (email and phone) for additional details and clarifications, however no further response has been received.	Pending
Sandwich Expansion Information for Decision Making May 2020	Reviewed materials available to enable decision making and understood the publication / accessibility thereof. Following up with the complainant to confirm some elements.	Pending
Community Housing Corp Personnel June 2020	Participation letter / consent letter has expired.	Pending

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